

## 14 Point Fact Sheet- Oil Spill Advisory Council Report

1. Oil spills, large and small, threaten Washington's coastal and marine environments, and navigable waters. We must eliminate oil spills if these areas are to continue to be a source of beauty, recreation, health, ecological integrity, food production, and economic betterment for Washington's citizens and Native Tribes.
2. The Legislature requires the Council to deliver an annual report to the Governor, the Legislature, and the Washington Department of Ecology (Ecology) recommending ways to continually improve the State's oil spill prevention, preparedness, and response activities. The Legislature further required the Council to deliver a one-time report to the Governor and the Legislature setting forth its recommendations on long-term and sustainable funding for the Council's activities and for oil spill preparedness, prevention, and response activities.
3. The Council is a mechanism to foster a long-term partnership and consensus between communities, government entities (including tribal governments), and industry. True to this goal, the vast majority of the Council members formed a coalition and reached consensus on the recommendations set forth in the Council's final report.
4. The Council makes the following common-sense recommendations to prevent oil spills in Washington's marine waters, including Puget Sound, the outer coast, and the Columbia River:
  - a) Permanently station a year-round/rescue tug in the Western Strait of Juan de Fuca.
  - b) Create a Department of Ecology managed tug fund for periodic, as needed, placement of rescue/response tugs in other critical locations.
  - c) Authorize a one-time allocation of funds to the Department of Natural Resources (DNR) to eliminate the back-log of derelict vessels and adequately fund that program thereafter.
  - d) Provide sufficient funding for the Council to be able to achieve the ambitious assignments given to it by the Legislature.
  - e) Sustainable funding of Washington's oil spill program through two changes to the current risk-based crude-oil barrel tax and through implementation of an "Oil Spill Prevention and Response Service Transfer Fee" on all processed fuel transfers occurring on, over, or near Washington waters.
5. Year-round coverage by the Neah Bay Tug is needed to prevent oil-laden vessels from grounding into the rocks and destroying our pristine coastal areas and their fragile economies. The tug has intervened numerous times over the last five years that it has been deployed, responding 29 times since 1999. The tug is not on duty in July and August, yet it is not abnormal for incidents to occur during these months.

6. Even with oil tanker escorts and a year-round Neah Bay coverage, there are still several high-risk locations that may periodically, due to extreme weather for example, require additional safeguards to achieve state-of-the-art spill prevention. For those areas, the Council recommends creating an Ecology-managed Tug Fund for placing as-needed tug protection in these critical areas.
7. The Council anticipates that the funding it recommends for DNR's Derelict Vessel program will provide needed revenue to eliminate derelict (neglected or abandoned) vessels and prevent their sinking and releasing onboard fuel and other oil products into Washington's waters.
8. The Council currently is operating on an initially estimated budget of approximately \$500,000 per biennium. As required by the Legislature, the Council identified the sustainable funding needed for it to meet its legislatively assigned tasks. This recommendation is based on actual costs incurred to date that were conservatively projected out to determine what additional expenses would be required for the Council to carry out its statutorily mandated duties. For example, in the near future the Council's overhead will increase as the Office of Financial Management no longer will provide office space for the Council, which is currently provided at no cost. Additionally, the current staffing levels were determined to be insufficient to provide the support needed for the Council to achieve the duties set forth for it in the enabling legislation.
9. Department of Revenue forecasts call for an oil-spill prevention funding shortfall of \$14.3 million for the 2007-2009 two-year budget cycle and \$21.2 million for the 2009-2011 biennium. This additional amount of revenue will be needed to provide for the Council's recommendations and Ecology's prevention work. The revenue streams recommended by the Council could raise up to \$18 million depending on the Legislature's chosen method of implementation.
10. One of the recommended barrel tax changes would eliminate the export credit for oil transported out of State, thus eliminating a credit being given for oil that endangers State waters twice. Refined crude oil is hazardous during transit and, therefore, is not like most other products that receive a credit when exported. This change will re-capture an estimated \$5.1 million per biennium in revenue.
11. The other barrel-tax change would assure that the 5-cent per barrel tax is stabilized by eliminating the one-cent reduction to the tax that occurs when the Oil Spill Response Account reaches \$9 million. This change will raise an estimated \$2.8 million per biennium in new revenue.

12. All Council members present at a regularly scheduled meeting, except one, agreed to recommend both barrel tax changes.
13. In addition to the above changes to the barrel-tax, the remaining sustainable funding required for the State's program should be raised through a small oil-product transfer fee. The Transfer Fee will pay for Ecology's services and apply to all fuel transfers of refined oil product on, near, or over State waters served by Ecology's oil spill program. All Council members initially agreed that a risk-based allocation for funding the State's spill program would be the most equitable method. In the final discussion of the 18 Council members, all but two agreed with recommending the Transfer Fee. The Council agreed that the transfer fee would be the most equitable revenue stream option of the fifteen plus revenue options reviewed by the Council. It is sound public policy to use the Transfer Fee to spread the burden of paying for the State's services broadly across many sectors--recreational boaters that refuel at marinas, the cargo industry, cruise lines, fishing vessels, and barges-- all of which pose a risk to Washington's waters during fuel transfers.
14. The Transfer Fee could generate about \$10 million per budget biennium (excluding revenue that would be generated by previously uncounted transfers from fishing and recreational vessels) and result in little impact on either fee payers or the average fuel consumer. If a \$3.065 price per gallon of gasoline were used as a basis for calculating the fee, the cost to those who transfer fuel on, over, or near the State's waters would amount to a tiny fraction (0.000392 percent) of a penny per gallon. This cost pales in comparison to the impact that a serious spill could cause. If a spill created a ten percent decrease in tourism in King County alone, there could be an economic impact of \$560 million, let alone the millions of dollars in damages that such a spill would cause to shellfish and finfish fisheries, and to cultural values.